

## FORMING A SOLE PROPRIETORSHIP

---

As noted in the section on choosing the form of organization, a sole proprietorship is the simplest form of business organization. There are no statutory requirements unique to this form of organization. From a regulatory standpoint, the business owner only needs to register the business name as an assumed name (if it does not contain the business owner's first and last names), obtain business licenses and tax identification numbers if necessary, and begin operations.

A list of business licenses required by the state of Minnesota appears in the Directory of Licenses and Permits section of the Small Business Assistance Office publication, *A Guide To Starting A Business In Minnesota*. Procedures for registering the business name as an assumed name are discussed in the previous section of the *Guide*.

The sole proprietor must obtain federal and state tax identification numbers if the business has employees even if those employees are members of the sole proprietor's immediate family. A sole proprietor who will hire employees also will need an unemployment insurance employer account number and must secure workers' compensation insurance for employees. A sole proprietor who will be selling a product or service that is subject to sales tax will need to register for sales and use tax purposes. These taxes and procedures for obtaining tax numbers are discussed in the section of this Guide on business taxes.

Sole proprietors who will be hiring employees also should review the section of the *Guide* on issues for employers.